

Microsoft Licensing Changes



A Presentation to DOIT Managers on
Microsoft Licensing Changes and the
Purchasing of Windows 2000, Office 2000
and Office XP

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Oct. 1 ➔ License Program 6.0

- On Oct. 1, 2001 Microsoft initiates License Program 6.0
 - Replaces existing Select 5.0 and Enterprise Agreement 5.0 volume licensing agreements
- Current SKU and upgrade options disappear
 - CUP, VUP, PUP and UA
 - Replaced with
 - L - full license
 - SA - Software Assurance, i.e., upgrades
 - L+SA - combination package
- and, Microsoft gets tougher on license violations



Oct. 1 ➔ License Program 6.0

- Changes also affect how server products will be licensed and maintained.
- Bottom line is an increase in costs for organizations that upgrade infrequently
 - e.g., A typical enterprise with 5,000 desktops that upgrades Office every four years will have its fees increase from \$900,000 to \$1.7 million (due to purchases of full license or maintenance)
- Impact is that **we** need to make:
 - coordinated purchase decisions on upgrades by Sept. 1, 2001
 - any purchases of upgrades by Oct. 1, 2001

License Program 6.0 - Terms

■ L - Full license

- perpetual right to use the purchased version of the software under the terms of the EULA
- no right to version or product upgrades
- can be imaged (OEM licenses cannot be imaged)

■ SA - Software Assurance

- provides rights to the most current version of a product ("get current") and any new releases that become commercially available during the term of the agreement ("stay current")
- 2 year term, renewable
- can only be bought with a license for "current" products before Oct. 1, 2001, or at renewal

How to Get “Current” Products

- Cost of Upgrade depends on
 - Existing version or product
 - Timing of the Upgrade
 - Availability of VUP (Version Upgrade)
 - Having an Upgrade Advantage (UA) program
- Scenario is different for desktop applications vs. desktop O/S
 - Windows 2000 is the “current” O/S
 - Office XP is “current” office suite
 - Note:** Office 2000 is still available for installation on special order
- After Oct. 1, new upgrades are **full** licenses

Cost Model Desktop Scenarios

■ Assumptions

- *Transition Period* ends Sept. 31,
Grace Period Ends Feb 1, 2002

■ Assumptions for Office Pro

- Cost of L (license) is \$386
- Cost of UA is \$282, 2 years, converts to SA
- Cost of Software Assurance (SA) for 2 years is 29% of license cost, paid in full

■ Assumptions for Windows Desktop O/S

- Cost of Pro Upgrade (license) is \$185
- Cost of Product Upgrade (license) is \$175
- Cost of UA is \$157

Select 6.0 Scenario: Office Pro

Notes:

Office XP is the “current” product

Upgrades to XP are before Oct. 1, 2001

Note: upgrade to 2000 is by downgrade of XP upgrade

Assumes 2 year refresh

Upgrade by License Software Assurance

	Full License after Oct 1	Full License for XP Jul-03	Upgrade Assurance by Oct 1	OR	Full License plus SA After Oct 1
Office 95/97 to Office 2000	\$386	\$386 (\$772)	\$282	OR	\$610
Office 2000 to Office XP	\$386	\$0 (\$386)	\$282	OR	\$610
Version Upgrade by Oct	\$260	\$386 (\$646)			

Select 6.0 Scenario: WIN2K OS

Notes:

- Windows 2000 is the "current" product
- Upgrade to XP is by Sept. 2003
- Cost of XP is cumulative

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	Pro Upgrade after Oct 1	Full License for XP Jul-03	CUP or UA by Oct 1	OR	Pro Upgrade plus SA After Oct 1	Upgrade to XP Jul-03
WIN95/98 to WIN2K	\$185	\$185 (\$370)	\$175	OR	\$283	\$ -
WIN NT to WIN2K	\$185	\$185 (\$370)	\$157	OR	\$293	\$ -
WIN2K OEM to license	\$185	\$185 (\$467)	\$232	OR	\$293	\$ -
WIN2K to WINX			\$157	OR	\$108	\$ -

Bottom Line Gartner Group, META Group

- 2-3 year refresh cycle
 - 35% to 77% more to upgrade to next version (XP)
 - Strategy:
 - buy a UA (2 yrs) or UA and SA (3+ yrs)
 - 4-5 year refresh cycle
 - 68% to 107% more to upgrade to next version (XP)
 - Strategy:
 - buy a per copy UA (2 yrs) and then subsequent SA (2-3 yrs)
 - or buy new licenses every 4-5 years
- * These cycles assume that existing Office is not upgraded to XP immediately

Impact on Agency Planning

- A decision on software upgrades must be made by Sept. 1, 2001 in order to meet the Oct. 1 deadline.
- If you were planning on an upgrade during FY2001-2003:
 - you will pay at least 50% more than planned on (need to buy full license), unless
 - you purchase a Version Upgrade (VUP) or Upgrade Advantage for each copy of software by Oct. 1, 2001
- Future budgeting must be annualized on a per seat basis, which means better forecasting of upgrades.

Action Items

- We need to work together to ensure that we get the best deal on software upgrades.
- In about a week, we will send out a spreadsheet that will allow you to forecast your expenditures for the approaches and time frames we have covered today.
- In the meantime, you need to update your inventories.
- We are also forming a committee to work with us on evaluating our options for software upgrades. Volunteers see Gary Therrien.

Action Items

- Information on server licensing changes and upgrades will be forthcoming.
 - Includes Exchange and SQL Server.
 - More complex do to the math.
 - In the meantime, you need to update your inventories.
- These licensing changes may have an impact on our EWTA Domain Architectures, therefore the Domain Teams will be researching this in the coming months.

Licensing Survey

Do you have an Upgrade Advantage agreement?

YES	1
NO	12

How often does your agency upgrade?

w/new PC	3
Every 2 years	2
Every 3 years	6
Every 4 years	4

When is the next planned upgrade?

Jul-Sept 2001	2
by June 2002	4
by June 2003	7
TOTAL	13

Is there money for upgrades in this budget?

YES	5
NO	5
Yes, in 2nd year	3

Notes:

- **Upgrade Advantage**
 2 year agreement to obtain most current version
- **Jul-Sept 2001**
 transition period to acquire VUP or UA on existing products

Supplemental Materials

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Glossary - Licenses

■ Full License

any initial purchase of a product and provides rights to a specific version of the product. Rights are perpetual in License Program 6.0

■ VUP Version Upgrade

acquire the most current version of a Microsoft product based on ownership of an existing, previous version of the same Microsoft product.

■ PUP Product Upgrade

acquire a different edition of a Microsoft product based on ownership of an existing edition of a Microsoft product.

Glossary - Licenses

- CUP Competitive Upgrade
acquire Microsoft product based on the ownership of an existing, qualified non-Microsoft product.
- UA Upgrade Advantage
provides rights to the most current version of a product ("get current") and any new releases that become commercially available during the term of your agreement ("stay current")
 - 2 year term, existing UAs becomes SAs on Oct. 1
- CAL Client Access License
provide the right to access a specific server product (e.g, Exchange, SQL Server)



More Scenarios

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For an organization with 5,000 seats¹ and not current on Office, *i.e.*, is not at Office XP.

- To “get current”² would require buying UA by Oct. 1 at an approximate cost of \$1.1 million
- To “get current” after Oct. 1 would cost approximately \$1.7 million

Notes:

- 1. 5000 seats is 10,000 points or level A select (smallest discount).
- 2. “get current” means to upgrade to XP or upgrading to XP and then downgrading to 2000, however, this would mean upgrading to XP again in the future ?

Enterprise Assurance Program

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■ Enterprise Agreement 6.0

- 3 year agreement, renewable
- Based on projected numbers of desktops
- Covers Office Professional, WIN2K upgrade, Core CAL

Level	Desktops
A	250-2,399
B	2,400-5,999
C	6,000-14,999
D	15,000+

other desktop applications can be added
(e.g., Visio, Project)

- L&SA with perpetual usage rights
 - Discounts equivalent to Select 6.0 program
- ## ■ Enterprise Agreement 6.0 Subscription
- 15% less but **no** perpetual usage rights

Enterprise 6.0 Scenario

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- Office XP and Windows 2000 are the “current” products
- Costs are spread over a 3 year period
- Renewal is SA

	Oct-01	Oct-02	Oct-03	Total	Oct-04	Total 2
Office 9.x to Office 2000 / XP	\$203	\$203	\$203	\$610	\$ 112	\$722
Office 2000 to Office XP	\$203	\$203	\$203	\$610	\$ 112	\$ 722
WIN 9.x to WIN2K / XP	\$ 97	\$ 97	\$ 97	\$292	\$ 54	\$346
WIN NT to WIN2K / XP	\$ 97	\$ 97	\$ 97	\$292	\$ 54	\$346
WIN OEM to WIN2K / XP	\$ 97	\$ 97	\$ 97	\$292	\$ 54	\$ 346

License Program 6.0: Servers

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- BackOffice Server Suite and CALs go away Sept. 30, 2001;
- Replaced with Core CA
 - Windows Server, Exchange Server, SMS Server, SharePoint Portal Server
 - SQL Server CAL no longer included
- Core CAL price is computed as the sum of the individual component CALs, minus 5%.; price includes SA
- It does not include the cost of the server
- Core CAL can only be used within the organization fire-wall (no web access)

License Program 6.0: Servers

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- Applies only to the standard editions of the server products; enterprise editions are licensed separately
- Components (WIN CAL, Exchange CAL) can be licensed separately

■ Example: WIN2K CALs

- convert existing CAL to UA vs. new CAL
“make current”,
stay current”
- also applies when phasing out BAYAN Vines

	Oct-01	Feb-02	XP Oct 03
WIN NT / 2K L	/	\$ 28	\$ 56
WIN NT / 2K UA	\$ 20	/	\$ -
WIN NT / 2K L+2SA	/	\$ 42	\$ -
Banyan (LAN) CUP	\$ 14	/	\$ 42
Banyan (LAN) CUP+2SA	\$ 14	\$ 14	(\$28)